

**TOMALES VILLAGE COMMUNITY SERVICES
DISTRICT**

APPROVED

**INCOME AND EXPENSE BUDGET
Fiscal Year 2012-2013**

Submitted

5-9-2012

Revised 5-23-2012

Revised 6-13-2012

Approved 6-13-2012

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT

P.O. Box 303 Tomales, CA 94971 707/878-2767 Fax 707/575-4306

DATE: June 13, 2012
TO: Board of Directors, TVCSD
FROM: Karl Drexel, Administrator
SUBJECT: Proposed TVCSD Budget for Fiscal Year 2012-13

I reviewed the Operating Income and Expense reports for the last several years, along with previous budgets. See 3-Year Comparison Report at end of the Budget. The last rate increase the District instituted was in 2009 approved by the community for \$5/mo to be restricted for the debt servicing account for the solar project. The last five years has seen the District increase your cash position to \$352,000. However, with the State Controller's accounting and State Water Resources Control Board regulations, which determines profitability of operations only using Operating Income (service charges) and Operating Expenses, the District is still unable to cover its operating costs with service charges alone when the non-cash depreciation expense is included. Therefore, this budget does not include depreciation, but uses a portion of the Net Income at the end of each year to fund a Reserve for Capital Improvements Account. Although the State still owes the District for several years' worth of reimbursement for SB 90 funds, this budget only includes the current year's SB 90 funds. Even though previous discussions indicated that multiple rate increases were warranted in order to satisfy the State's requirement of meeting operating expenses with service charges only, this Budget does not recommend a rate increase for the current year. Future years will still require additional rate increases to cover depreciation and increased costs due to inflation, as well as developing a replacement account for the collection system; but this proposed budget does not address that issue. Rates for the community and the District's major partner, the Shoreline Unified School District, do not increase with this budget. Cost of living increases on an annual basis need to be considered in the future in order to meet the State requirements of meeting operating costs.

The following descriptions indicate the changes in expenses and revenues for the upcoming fiscal year:

PARK DIVISION

INCOME

Contribution Income

Income for the regular operations of the Park has primarily come from donations and fundraisers. The primary fundraisers have been the Wine Sale Event and Used Book Sale at the Annual Founders' Day festival and last year's Party in the Park that generated over \$4,000 in net proceeds for the operation of the Park. With the construction of a new bathroom, a new

water pump and water filtration system, regular maintenance costs have increased. In previous years, Henry Elfstrom has paid the PGE costs for the park, which consisted of the water tower. With the increased PGE use, the District assumed the account and has been paying the PGE bill. Henry's use of the water tower is offset by increased maintenance in the bathroom and the grounds and his agreement to pay a portion of the PGE monthly charges. Also, with additional use, the cost of paper products and cleaning products has increased the maintenance costs.

This year's income is based on projections of the continued income from the Founders' Day events, park use rental fees, occasional donations, and the Second Annual Party in the Park fundraiser. This budget represents the net income rather than the gross income for the two major fundraisers, which results in a net decrease in income for the projects. However, there are no offsetting expenses for the fundraising costs. Total income is expected to increase slightly and expenses to stay about the same, including another payment of \$5,000 to repay the construction project loan to the sewer division. The District also continues to seek corporate sponsors for matching grants and sponsorships. Discussion has been held by the Board to expand fundraising with the possibility of a summer time Market in the Park. I recommend that the Board pursue these possibilities, as well as other fundraising events to build up a Park Account.

SB 90 Reimbursements

As mentioned, the previous years' SB 90 funds have been withheld by the State even though efforts have been made in the legislature to release those funds. Because there is so much uncertainty surrounding those funds, the previous years' funds are not included in this budget. However, the current year's SB 90 funds are included and, by authorization from the Board, are included in the Park's budget.

EXPENSES

Park Maintenance

The single largest maintenance item for the Park is the PGE costs. With AB 2466, it was assumed the District would be able to offset a portion of those costs with meter consolidation with the solar system, however it is unknown at this time what that offset might be (or when it might be available) and is not included in this budget. Additional income is, however, included in the maintenance agreement with Henry to help offset the increased PGE. The second major maintenance item is paper products for the bathroom. Henry and David keep the bathrooms stocked, but paper products have to be replaced. Park rental fees cover most of that expense. There are no additional maintenance costs budgeted, since any additional maintenance should be handled by volunteers. There is a \$500 budget line for paper products and incidentals.

Transfer Out

Several years ago the Board approved loans to the Park from the sewer division for the completion of the Park project, over and above what was repaid by grants. The Board approved loans up to \$20,000 and with the completion of the Park project those loans are in the process of being paid back. The Park has an outstanding balance at the end of 2011-2012 of \$9,211(See attached). This year we anticipate another payment from the Park of \$5,000, which is reflected in the budget.

Fund Raising Expense

Previous budgets have listed projected gross income and posted projected expenses. Previous years' experience, however, allows us to approximate the net income of those functions and, as stated earlier, this budget only projects the net income from the major fundraisers.

SEWER DIVISION

RESTRICTED FUNDS

OPERATING INCOME

Sewer Service Fees

The rate increase in 2009 of \$5/EU per month was designated for the repayment of the Bond issue for the Solar Project. This fee is restricted for that use and is separate from other operating income. This account, in addition to the solar rebate projected for this year will cover the Bond payment in December of 2012. Over the next four years, the solar rebate will be enough to fund a reserve fund for payments in the first year or two after the rebate is over. This budget does not include any additional rate increases this year.

CSI Solar Rebate

As mentioned earlier, the California Solar Initiative rebate will help offset the repayment of the Bond issue. Because of technical problems, the District did not get all of the CSI for the 2011-2012 fiscal year, but the rebate will be paid for the full 60 months. PGE has assured us that the CSI will be extended past the end of the current payment period if the missing months aren't recoverable. With the CSI and the approved rate increase in 2009, the costs of the solar project are covered with a portion going to future payments.

Transfer In

As has been discussed in previous Board meetings, the equipment and software from the plant upgrades are getting old and we have been advised to replace some things and have discussed upgrading other things. For example, we recently had an aerator motor go out and we put our only spare into service. A new aerator is about \$5,000. We just lost the electric motor on one of the high lift pumps. Although the motor is only 4 years old, it is out of warranty and it is unknown whether it can be repaired. A new motor is about \$3,000. The SCADA software is also no longer being supported. With the problems we have been having in reports and data monitoring, we may need to replace the software. New software and integration will cost about \$15,000. There has also been discussion about going toward a paperless office and with the unlimited cloud backup, to file everything as .pdf files. The Laserfiche scanning software for this and a proper scanner will cost about \$4,000 with a maintenance agreement of \$420 per year.

Right now the District has \$352,000 in total cash. Operating and Capital Reserves are currently listed at over \$86,000. The Reserves will also be increased for the year-ending 2012 after the auditor is finished with his Year-end Audited Financial Statements. These reserves are set aside to pay for unexpected capital and operating expenses without having to use current operating

funds when necessary. This Budget provides for the Transfer In of \$30,000 for the worst case scenario – if all of the above expenses happened this year.

EXPENSES

Solar Lease Agreement

The Solar Lease Agreement and the Administration Fee are a fixed amount for 16 years. The Budget does not include the Lease Agreement payment, because it is a Balance Sheet transaction, however, the cash from the CSI and the 2009 rate increase more than cover the cash outlay.

Long Term Debt

The State Revolving Loan was the District's portion of the Sewer Improvement Project undertaken over the last ten years. For this year's Budget purposes, the Interest Payment is shown as an expense under Unrestricted Funds and the Principal Payment is treated as a Balance Sheet transaction per the Auditor's accounting methods.

Capital and Operational Expenses

The Rockwell SCADA software is over 10 years old and is no longer being supported by Rockwell. It has been recommended by the SCADA integrator, SCADA Support Group, that it be replaced by either an updated Rockwell program, or the more common Wonderware Software. Although both need to be investigated further, this budget is setting aside \$15,000 for new software, installation and integration in case the Board chooses to go in this direction.

SEWER DIVISION

UNRESTRICTED FUNDS

OPERATING INCOME

Sewer Service Fees

The current rate for sewer service is \$63 per month per equivalent unit, or \$756 per year. However, as mentioned earlier, \$5/month per EU is projected to help offset the initial annual costs of the solar system, and is set aside in a separate account to be used for paying down the CREBS bond. This rate increase is not part of operating income and has no influence on the operating expenses. Service Fees from SUSD amount to about 1/3 of the operating costs for the year, based on the current budget. Additionally, SUSD is responsible for their portion of District loans and the pay back of a loan to them during the initial construction. This year's budget reflects a decrease in the overall charges for the SUSD. It is still anticipated that additional hookups and new customers in future years will help close the operating deficit after depreciation expenses are considered, but future rate increases will still be required. Future depreciation expense and capital project revenues will need to be addressed in subsequent budgets; however, a rate increase is not recommended for this budget.

Connection Fees

There have not been any hook-up fees for the last few years even though they had been anticipated and budgeted for in the past. However, given the time involved for annexation and development, it is not anticipated that any of the Kitts' properties or the bank owned properties on Second St. will be ready this fiscal year, and therefore no connection fees or annexation fees are being budgeted for this year.

Levy 4

The Levy 4 Unitary Tax from the County was reduced from its historic levels a few years ago and it was unknown what it would be. We budgeted \$8,000 the first year and the actual came in at about \$10,000. Although the amount varies from year to year there is no indication that the amount will change noticeably this year, so the Levy 4 budget will stay at \$11,500.

NON OPERATING INCOME

Interest Income

The District's cash position has improved over the years, with the replenishment of the Reserve Funds and Net Income. However, with interest rates hovering around zero, it is unclear if interest will change. It is budgeted slightly above the level that was received this year, due to researching additional investment strategies.

Grant Funds

During previous years, grant funds had been treated as income under the Auditor's accounting methods, which skewed the Net Income amounts. They did, however, help reduce the Administrator's fees by providing Construction Management and Administration elements to the grants offsetting some of the regular Administrator's fees and other Administration costs. Those grants have been completed now, and unless there are additional projects undertaken, there will not be any grant income for this offset and it is not budgeted for in this Budget.

Transfer In

Several years ago the Board approved loans to the Park from the sewer division for the completion of the Park project, over and above what was repaid by grants. The Board approved loans up to \$20,000 and with the completion of the Park project those loans are in the process of being paid back. The Park has an outstanding balance at the end of 2011-2012 of \$9,211 (See Attached). This year we anticipate another payment from the Park of \$5,000, which is reflected in this budget.

EXPENSES

Collection, Treatment and Disposal

With the installation of the Solar system, the PGE rates that would have been, are reduced to minimal levels. However, there are other ongoing expenses in the collection, treatment and disposal of the community's wastewater. This Budget reflects the reduced PGE costs as well as the ongoing costs of FOG separator costs and other periodical expenses.

Administrator

The Administrator's contract is tied to the Consumer Price Index (CPI), but he has only taken one Cost of Living Increase (COLI) since August of 2008. The CPI increase was waived in 2009 and 2011. This year's COLI is budgeted at 3.1%, although the final determination of the June CPI will not be available until early July. The final budget will be adjusted accordingly. In recent years, a portion of the Administrator's fees have been reimbursed by grant contracts under the category of construction management, and therefore do not show up as expenses on the District's financials since they are not paid out of operating income. However, this fiscal year does not project any new grants that will offset some of the Administrator's time so the budget reflects the full amount of the Administrator's fees for the year.

Licenses and Permits

Permit expenses will be roughly the same as in the past.

Insurance

The District's insurance carrier has voted to keep rates the same as last year; therefore there will be no change in insurance expense.

Other Office Expense

Copying, postage, office supplies, equipment and other office expenses (dues and subscriptions and publications) have been budgeted at the same level as actual expenses this year and are up slightly from last year. I have budgeted \$4,000 for a scanner and the "bare bones" Laserfiche software as Equipment Expense under Restricted Funds as mentioned earlier, in the event the Board chooses to pursue this direction.

Operations and Maintenance

Phillips & Associates' contract is also tied to the CPI. Phillips waived their CPI increase in 2010, but took it in 2011. This budget reflects a 3.1% increase based on the current CPI, after the September Invoice. The actual COLI for the Contract Operators will be determined by the October CPI and the budget will be adjusted accordingly.

Professional Fees

Professional fees are increasing for several reasons. I have budgeted \$5,000 for next year's audit in the Unrestricted Funds, which had been included in the Restricted Funds in years past. Additionally, there seem to be more and more questions arising from the Board and/or the community that need to be addressed by counsel. We were fortunate enough to line up a pro bono attorney to help on questions from time to time, but to be conservative, I have budgeted \$1450 for possible fees from County Counsel, which is the same as actual expenses for this year. I also included a line item for consulting of \$1000 to be available for unexpected consultations.

Repairs and Maintenance

As was discussed earlier, there may be additional Repairs and Maintenance in some of the motors and equipment. Because of that I have budgeted an additional \$23,000 for equipment/computer repair or replacement under Restricted Funds. This is, as said earlier, a

worst case scenario. There is a minimal budget for any additional repairs and maintenance under Unrestricted Funds. The irrigation field gorse project is ongoing and includes spraying the new shoots and mowing in the spring, and some cushion for computer and office equipment repairs. Any other unexpected large repair costs will have to be designated from Operational or Capital Reserves.

Transportation/Meetings

Transportation, Meetings and Seminars is budgeted more than this year's actual costs, because it has been discussed that the District Board would like to pursue additional training and education through CSDA, CWEA and CRWA seminars. Although the Administrator has attended several workshops and webinars at his own expense, this year's budget includes courses and workshops that could be attended by Board members.

NON OPERATING EXPENSES

As requested, a non operating expense of \$500 is budgeted for an event to acknowledge and thank all of the people who have donated time and expertise pro bon to the District.

PARK LOANS FROM SEWER DIVISION

<u>Date</u>	<u>Amount</u>	<u>Balance</u>	
7/30/2004	4,500	4,500	
8/8/2007	7,000	11,500	
9/14/2007	16,000	27,500	
11/3/2007	7,000	34,500	
12/29/2007	(35,000)	(500)	Repay from Grants
5/27/2008	6,000	5,500	
6/1/2008	7,000	12,500	
6/26/2007	20,000	32,500	
6/28/2008	7,000	39,500	
7/11/2008	15,000	54,500	
9/9/2008	6,000	60,500	
9/29/2008	10,000	70,500	
11/3/2008	(35,000)	35,500	Repay from Grants
5/2/2009	10,000	45,500	
6/30/2009	(22,950)	22,550	Repay from Park Reserve
7/10/2009	7,000	29,550	
7/17/2009	10,000	39,550	
8/23/2010	1,100	40,650	
9/11/2010	6,000	46,650	
4/23/2011	(5,000)	41,650	Repay from Park Account
6/17/2011	(18,800)	22,850	Repay from Grants
6/21/2011	(8,639)	14,211	Repay from Grants
4/30/2012	(5,000)	9,211	Repay from Park Account

Recommendations

I recommend that the Board of Directors take the following actions:

- Review the attached Draft budget and provide questions, discussion and suggestions at the May 9, 2012 Board meeting. – DONE
- Review and adopt the Draft budget at the May 23, 2012 Public Hearing meeting with any additions and corrections with a first vote. – DONE Vote Ayes 3, Oku, Sims, Knudsen; Nays 1, Sturges; Absent 1
- Review and adopt the Final budget at the June 13, 2012 Board meeting with any additions and corrections with a second vote. – DONE Vote Ayes 4, Earle, Oku, Sims, Knudsen; Nays 1, Sturges
- Adopt Resolution 12-02 continuing the existing rate at the June 13, 2012 Board meeting.
- Adopt Resolution 12-03 to keep the standard hook-up fees at \$10,000 and keep the Ad Valorum tax rate at \$0.02 per \$100 valuation at the June 13, 2012 Board meeting.

Respectfully submitted,



Karl W. Drexel
Administrator

Tomales Village Community Services District

Profit & Loss Budget Overview

July 2012 through June 2013

	<u>Total Park Division</u>	<u>Restricted Funds</u>	<u>Unrestricted Funds</u>	<u>Total Sewer Division</u>	<u>TOTAL</u>
	<u>Jul '12 - Jun 13</u>	<u>(Sewer Division)</u>	<u>(Sewer Division)</u>	<u>Jul '12 - Jun 13</u>	<u>Jul '12 - Jun 13</u>
Ordinary Income/Expense					
Income					
301.00 · Service Charges					
301.10 · Service Charges - Monthly			1,512.00	1,512.00	1,512.00
301.15 · Service Charges - Annual Fees			756.00	756.00	756.00
301.20 · Service Charges - SUSD		6,120.00	73,880.00	80,000.00	80,000.00
301.30 · Services Charges - County		7,680.00	89,838.00	97,518.00	97,518.00
Total 301.00 · Service Charges		<u>13,800.00</u>	<u>165,986.00</u>	<u>179,786.00</u>	<u>179,786.00</u>
311.00 · Interest Revenues	5.45		2,631.34	2,631.34	2,636.79
315.00 · Intergovernmental Revenues					
315.50 · Levy 4			11,500.00	11,500.00	11,500.00
315.60 · HOPTR	47.60				47.60
315.70 · SB 90 Reimbursement	5,731.00				5,731.00
Total 315.00 · Intergovernmental Revenues	<u>5,778.60</u>		<u>11,500.00</u>	<u>11,500.00</u>	<u>17,278.60</u>
316.00 · CSI Solar Rebate		13,450.00		13,450.00	13,450.00
317.00 · Other Operating Income					
317.10 · Transfer In		30,000.00	5,000.00	35,000.00	35,000.00
Total 317.00 · Other Operating Income		<u>30,000.00</u>	<u>5,000.00</u>	<u>35,000.00</u>	<u>35,000.00</u>
320.00 · Contributions Income					
320.30 · Unrestricted	7,000.00				7,000.00
Total 320.00 · Contributions Income	<u>7,000.00</u>				<u>7,000.00</u>
322.00 · Park Use Rental					
322.60 · Water Tower PGE	840.00				840.00
322.00 · Park Use Rental - Other	400.00				400.00
Total 322.00 · Park Use Rental	<u>1,240.00</u>				<u>1,240.00</u>
Total Income	<u>14,024.05</u>	<u>57,250.00</u>	<u>185,117.34</u>	<u>242,367.34</u>	<u>256,391.39</u>
Gross Profit	14,024.05	57,250.00	185,117.34	242,367.34	256,391.39
Expense					
410.00 · Sewage Collection			396.00	396.00	396.00
411.00 · Sewage Treatment			1,894.32	1,894.32	1,894.32
412.00 · Sewage Disposal			400.00	400.00	400.00

Tomales Village Community Services District

Profit & Loss Budget Overview

July 2012 through June 2013

	<u>Total Park Division</u>	<u>Restricted Funds (Sewer Division)</u>	<u>Unrestricted Funds (Sewer Division)</u>	<u>Total Sewer Division</u>	<u>TOTAL</u>
	<u>Jul '12 - Jun 13</u>	<u>Jul '12 - Jun 13</u>	<u>Jul '12 - Jun 13</u>	<u>Jul '12 - Jun 13</u>	<u>Jul '12 - Jun 13</u>
414.00 · Administration and General					
414.05 · Administrator's Fees			79,515.00	79,515.00	79,515.00
414.22 · Licenses and Permits	50.00		1,050.00	1,050.00	1,100.00
414.30 · Insurance					
414.31 · Property & Liability Insurance			5,500.00	5,500.00	5,500.00
414.33 · Worker's Comp Insurance			900.00	900.00	900.00
414.35 · Health Insurance Allowance			7,200.00	7,200.00	7,200.00
Total 414.30 · Insurance			<u>13,600.00</u>	<u>13,600.00</u>	<u>13,600.00</u>
414.40 · Office Expense					
414.41 · Postage and Delivery			304.51	304.51	304.51
414.42 · Printing and Copies			30.00	30.00	30.00
414.43 · Office Supplies			500.00	500.00	500.00
414.44 · Sonic - Web Hosting			239.40	239.40	239.40
414.45 · Equipment Expense		4,000.00	1,000.00	5,000.00	5,000.00
414.46 · Board Meeting Exp			1,332.00	1,332.00	1,332.00
414.47 · Clerical/Bookkeeping			120.00	120.00	120.00
Total 414.40 · Office Expense		<u>4,000.00</u>	<u>3,525.91</u>	<u>7,525.91</u>	<u>7,525.91</u>
414.50 · Contractual Services			60,203.43	60,203.43	60,203.43
414.55 · Professional Fees					
414.56 · Legal Fees			1,450.00	1,450.00	1,450.00
414.57 · Accounting			5,000.00	5,000.00	5,000.00
414.58 · Consulting			1,000.00	1,000.00	1,000.00
Total 414.55 · Professional Fees			<u>7,450.00</u>	<u>7,450.00</u>	<u>7,450.00</u>
414.60 · Publication and Notices					
414.61 · Newsletter Expense			420.00	420.00	420.00
414.60 · Publication and Notices - Other			314.27	314.27	314.27
Total 414.60 · Publication and Notices			<u>734.27</u>	<u>734.27</u>	<u>734.27</u>
414.62 · Dues and Subscriptions			1,500.00	1,500.00	1,500.00
414.65 · Rents and Leases					
414.67 · Solar Lease Admin Fee		750.00		750.00	750.00
Total 414.65 · Rents and Leases		<u>750.00</u>		<u>750.00</u>	<u>750.00</u>
414.70 · Repairs and Maintenance					
414.77 · Irrigation Field Maintenance			1,700.00	1,700.00	1,700.00
414.71 · Plant and Building Maintenance		3,000.00		3,000.00	3,000.00
414.72 · Computer Repairs		15,000.00	500.00	15,500.00	15,500.00
414.73 · Equipment Repairs		8,000.00	1,000.00	9,000.00	9,000.00

Tomales Village Community Services District

Profit & Loss Budget Overview

July 2012 through June 2013

	<u>Total Park Division</u>	<u>Restricted Funds</u>	<u>Unrestricted Funds</u>	<u>Total Sewer Division</u>	<u>TOTAL</u>
	<u>Jul '12 - Jun 13</u>	<u>(Sewer Division)</u>	<u>(Sewer Division)</u>	<u>Jul '12 - Jun 13</u>	<u>Jul '12 - Jun 13</u>
414.75 · Park Maintenance					
414.755 · Park PGE	1,404.46				1,404.46
414.75 · Park Maintenance - Other	500.00				500.00
Total 414.75 · Park Maintenance	<u>1,904.46</u>				<u>1,904.46</u>
Total 414.70 · Repairs and Maintenance	1,904.46	26,000.00	3,200.00	29,200.00	31,104.46
414.80 · Travel and Meetings					
414.82 · Lodging			350.00	350.00	350.00
414.81 · Travel			840.00	840.00	840.00
414.83 · Meetings and Seminars			739.00	739.00	739.00
Total 414.80 · Travel and Meetings			<u>1,929.00</u>	<u>1,929.00</u>	<u>1,929.00</u>
414.90 · Telephone & Internet Service			2,025.00	2,025.00	2,025.00
Total 414.00 · Administration and General	<u>1,954.46</u>	<u>30,750.00</u>	<u>174,732.61</u>	<u>205,482.61</u>	<u>207,437.07</u>
416.00 · Taxes					
416.10 · Property Taxes	39.92				39.92
Total 416.00 · Taxes	<u>39.92</u>				<u>39.92</u>
417.00 · Other Operating Expenses					
417.40 · Transfer Out	5,000.00				5,000.00
417.30 · LAFCO Charges			106.00	106.00	106.00
Total 417.00 · Other Operating Expenses	<u>5,000.00</u>		<u>106.00</u>	<u>106.00</u>	<u>5,106.00</u>
420.00 · Interest Expense-Long-Term Debt					
420.20 · Interest Payment - SRF Loan			6,030.00	6,030.00	6,030.00
Total 420.00 · Interest Expense-Long-Term Debt			<u>6,030.00</u>	<u>6,030.00</u>	<u>6,030.00</u>
423.00 · Other Nonoperating Expenses					
423.20 · Awards and Gifts	100.00		500.00		600.00
Total 423.00 · Other Nonoperating Expenses	<u>100.00</u>		<u>500.00</u>		<u>600.00</u>
Total Expense	<u>7,094.38</u>	<u>30,750.00</u>	<u>184,058.93</u>	<u>214,808.93</u>	<u>221,903.31</u>
Net Ordinary Income	<u>6,929.67</u>	<u>26,500.00</u>	<u>1,058.41</u>	<u>27,558.41</u>	<u>34,488.08</u>
Net Income	<u><u>6,929.67</u></u>	<u><u>26,500.00</u></u>	<u><u>1,058.41</u></u>	<u><u>27,558.41</u></u>	<u><u>34,488.08</u></u>